

HOUSE BILL No. 2420

By Committee on Taxation

4-5

1 AN ACT concerning taxation; relating to income tax, determination of
2 Kansas adjusted gross income, rates, itemized deductions; sales and
3 compensating use tax, rates, food and food ingredients; amending
4 K.S.A. 2016 Supp. 79-32,110, 79-32,117, 79-32,120, 79-32,138, 79-
5 3602, 79-3603, 79-3620, 79-3703 and 79-3710 and repealing the
6 existing sections; also repealing K.S.A. 2016 Supp. 79-32,269.
7

8 *Be it enacted by the Legislature of the State of Kansas:*

9 Section 1. K.S.A. 2016 Supp. 79-32,110 is hereby amended to read as
10 follows: 79-32,110. (a) *Resident Individuals*. Except as otherwise provided
11 by K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed
12 upon the Kansas taxable income of every resident individual, which tax
13 shall be computed in accordance with the following tax schedules:

14 (1) *Married individuals filing joint returns*.

15 (A) For tax year 2012:

16 If the taxable income is:	The tax is:
17 Not over \$30,000.....	3.5% of Kansas taxable income
18 Over \$30,000 but not over \$60,000.....	\$1,050 plus 6.25% of excess 19 over \$30,000
20 Over \$60,000.....	\$2,925 plus 6.45% of excess 21 over \$60,000

22 (B) For tax year 2013:

23 If the taxable income is:	The tax is:
24 Not over \$30,000.....	3.0% of Kansas taxable income
25 Over \$30,000.....	\$900 plus 4.9% of excess over 26 \$30,000

27 (C) For tax year 2014:

28 If the taxable income is:	The tax is:
29 Not over \$30,000.....	2.7% of Kansas taxable income
30 Over \$30,000.....	\$810 plus 4.8% of excess over 31 \$30,000

32 (D) For tax years 2015; ~~and 2016 and 2017:~~

33 If the taxable income is:	The tax is:
34 Not over \$30,000.....	2.7% of Kansas taxable income
35 Over \$30,000.....	\$810 plus 4.6% of excess over 36 \$30,000

1 (E) For tax year ~~2018~~ 2017, and all tax years thereafter:
 2 If the taxable income is: The tax is:
 3 Not over \$30,000.....~~2.6%~~2.7% of Kansas taxable
 4 income
 5 Over \$30,000 *but not over \$100,000*.....~~\$780~~\$810 plus ~~4.6%~~ 4.9% of
 6 excess over \$30,000
 7 *Over \$100,000 but not over \$250,000*...\$4,240 plus 5.75% of excess over
 8 \$100,000
 9 *Over \$250,000*.....\$12,865 plus 6.45% of excess over
 10 \$250,000
 11

12 (2) *All other individuals.*

13 (A) For tax year 2012:
 14 If the taxable income is: The tax is:
 15 Not over \$15,000.....3.5% of Kansas taxable income
 16 Over \$15,000 but not over \$30,000.....\$525 plus 6.25% of excess
 17 over \$15,000
 18 Over \$30,000.....\$1,462.50 plus 6.45% of excess
 19 over \$30,000
 20

21 (B) For tax year 2013:
 22 If the taxable income is: The tax is:
 23 Not over \$15,000.....3.0% of Kansas taxable income
 24 Over \$15,000.....\$450 plus 4.9% of excess over
 25 \$15,000
 26

27 (C) For tax year 2014:
 28 If the taxable income is: The tax is:
 29 Not over \$15,000.....2.7% of Kansas taxable income
 30 Over \$15,000.....\$405 plus 4.8% of excess over
 31 \$15,000
 32

33 (D) For tax years 2015, ~~and 2016 and 2017~~:
 34 If the taxable income is: The tax is:
 35 Not over \$15,000.....2.7% of Kansas taxable income
 36 Over \$15,000.....\$405 plus 4.6% of excess over
 37 \$15,000
 38

39 (E) For tax year ~~2018~~ 2017, and all tax years thereafter:
 40 If the taxable income is: The tax is:
 41 Not over \$15,000.....~~2.6%~~2.7% of Kansas taxable
 42 income
 43 Over \$15,000 *but not over \$50,000*.....~~\$390~~\$405 plus ~~4.6%~~ 4.9% of
 44 excess over
 45 \$15,000
 46 *Over \$50,000 but not over \$125,000*.....\$2,120 plus 5.75% of excess over
 47 \$50,000

1 *Over \$125,000.....\$6,432.50 plus 6.45% of excess*
 2 *over \$125,000*

3 (b) *Nonresident Individuals.* A tax is hereby imposed upon the Kansas
 4 taxable income of every nonresident individual, which tax shall be an
 5 amount equal to the tax computed under subsection (a) as if the
 6 nonresident were a resident multiplied by the ratio of modified Kansas
 7 source income to Kansas adjusted gross income.

8 (c) *Corporations.* A tax is hereby imposed upon the Kansas taxable
 9 income of every corporation doing business within this state or deriving
 10 income from sources within this state. Such tax shall consist of a normal
 11 tax and a surtax and shall be computed as follows:

12 (1) The normal tax shall be in an amount equal to 4% of the Kansas
 13 taxable income of such corporation; and

14 (2) (A) for tax year 2008, the surtax shall be in an amount equal to
 15 3.1% of the Kansas taxable income of such corporation in excess of
 16 \$50,000;

17 (B) for tax years 2009 and 2010, the surtax shall be in an amount
 18 equal to 3.05% of the Kansas taxable income of such corporation in excess
 19 of \$50,000; and

20 (C) for tax year 2011, and all tax years thereafter, the surtax shall be
 21 in an amount equal to 3% of the Kansas taxable income of such
 22 corporation in excess of \$50,000.

23 (d) *Fiduciaries.* A tax is hereby imposed upon the Kansas taxable
 24 income of estates and trusts at the rates provided in subsection (a)(2)
 25 hereof.

26 (e) ~~Tax rates provided in this section shall be adjusted pursuant to the~~
 27 ~~provisions of K.S.A. 2016 Supp. 79-32,269, and amendments thereto.~~

28 (f) ~~Notwithstanding the provisions of subsections (a) and (b), for tax~~
 29 ~~year 2016, and all tax years thereafter, married individuals filing joint~~
 30 ~~returns with taxable income of \$12,500 or less, and all other individuals~~
 31 ~~with taxable income of \$5,000 or less, shall have a tax liability of zero.~~

32 (g) *Any taxpayer whose withholding or estimated tax payments were*
 33 *based upon the rates as provided in subsection (a) as it appears on June*
 34 *30, 2017, shall not be assessed penalties and interest arising from the*
 35 *underpayment of taxes due to changes to the rates in subsection (a) that*
 36 *became law on July 1, 2017, so long as such underpayment occurred prior*
 37 *to July 1, 2017, and is rectified on or before April 15, 2018.*

38 Sec. 2. K.S.A. 2016 Supp. 79-32,117 is hereby amended to read as
 39 follows: 79-32,117. (a) The Kansas adjusted gross income of an individual
 40 means such individual's federal adjusted gross income for the taxable year,
 41 with the modifications specified in this section.

42 (b) There shall be added to federal adjusted gross income:
 43 (i) Interest income less any related expenses directly incurred in the

1 purchase of state or political subdivision obligations, to the extent that the
2 same is not included in federal adjusted gross income, on obligations of
3 any state or political subdivision thereof, but to the extent that interest
4 income on obligations of this state or a political subdivision thereof issued
5 prior to January 1, 1988, is specifically exempt from income tax under the
6 laws of this state authorizing the issuance of such obligations, it shall be
7 excluded from computation of Kansas adjusted gross income whether or
8 not included in federal adjusted gross income. Interest income on
9 obligations of this state or a political subdivision thereof issued after
10 December 31, 1987, shall be excluded from computation of Kansas
11 adjusted gross income whether or not included in federal adjusted gross
12 income.

13 (ii) Taxes on or measured by income or fees or payments in lieu of
14 income taxes imposed by this state or any other taxing jurisdiction to the
15 extent deductible in determining federal adjusted gross income and not
16 credited against federal income tax. This paragraph shall not apply to taxes
17 imposed under the provisions of K.S.A. 79-1107 or 79-1108, and
18 amendments thereto, for privilege tax year 1995, and all such years
19 thereafter.

20 (iii) The federal net operating loss deduction, *except that the federal*
21 *net operating loss deduction shall not be added to an individual's federal*
22 *adjusted gross income for tax years beginning after December 31, 2016.*

23 (iv) Federal income tax refunds received by the taxpayer if the
24 deduction of the taxes being refunded resulted in a tax benefit for Kansas
25 income tax purposes during a prior taxable year. Such refunds shall be
26 included in income in the year actually received regardless of the method
27 of accounting used by the taxpayer. For purposes hereof, a tax benefit shall
28 be deemed to have resulted if the amount of the tax had been deducted in
29 determining income subject to a Kansas income tax for a prior year
30 regardless of the rate of taxation applied in such prior year to the Kansas
31 taxable income, but only that portion of the refund shall be included as
32 bears the same proportion to the total refund received as the federal taxes
33 deducted in the year to which such refund is attributable bears to the total
34 federal income taxes paid for such year. For purposes of the foregoing
35 sentence, federal taxes shall be considered to have been deducted only to
36 the extent such deduction does not reduce Kansas taxable income below
37 zero.

38 (v) The amount of any depreciation deduction or business expense
39 deduction claimed on the taxpayer's federal income tax return for any
40 capital expenditure in making any building or facility accessible to the
41 handicapped, for which expenditure the taxpayer claimed the credit
42 allowed by K.S.A. 79-32,177, and amendments thereto.

43 (vi) Any amount of designated employee contributions picked up by

1 an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
2 and amendments thereto.

3 (vii) The amount of any charitable contribution made to the extent the
4 same is claimed as the basis for the credit allowed pursuant to K.S.A. 79-
5 32,196, and amendments thereto.

6 (viii) The amount of any costs incurred for improvements to a swine
7 facility, claimed for deduction in determining federal adjusted gross
8 income, to the extent the same is claimed as the basis for any credit
9 allowed pursuant to K.S.A. 2016 Supp. 79-32,204, and amendments
10 thereto.

11 (ix) The amount of any ad valorem taxes and assessments paid and
12 the amount of any costs incurred for habitat management or construction
13 and maintenance of improvements on real property, claimed for deduction
14 in determining federal adjusted gross income, to the extent the same is
15 claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203,
16 and amendments thereto.

17 (x) Amounts received as nonqualified withdrawals, as defined by
18 K.S.A. 2016 Supp. 75-643, and amendments thereto, if, at the time of
19 contribution to a family postsecondary education savings account, such
20 amounts were subtracted from the federal adjusted gross income pursuant
21 to K.S.A. 79-32,117(c)(xv), and amendments thereto, or if such amounts
22 are not already included in the federal adjusted gross income.

23 (xi) The amount of any contribution made to the same extent the
24 same is claimed as the basis for the credit allowed pursuant to K.S.A. 2016
25 Supp. 74-50,154, and amendments thereto.

26 (xii) For taxable years commencing after December 31, 2004,
27 amounts received as withdrawals not in accordance with the provisions of
28 K.S.A. 2016 Supp. 74-50,204, and amendments thereto, if, at the time of
29 contribution to an individual development account, such amounts were
30 subtracted from the federal adjusted gross income pursuant to subsection
31 (c)(xiii), or if such amounts are not already included in the federal adjusted
32 gross income.

33 (xiii) The amount of any expenditures claimed for deduction in
34 determining federal adjusted gross income, to the extent the same is
35 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
36 79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

37 (xiv) The amount of any amortization deduction claimed in
38 determining federal adjusted gross income to the extent the same is
39 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,221, and
40 amendments thereto.

41 (xv) The amount of any expenditures claimed for deduction in
42 determining federal adjusted gross income, to the extent the same is
43 claimed as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.

1 79-32,223 through 79-32,226, 79-32,228 through 79-32,231, 79-32,233
2 through 79-32,236, 79-32,238 through 79-32,241, 79-32,245 through 79-
3 32,248 or 79-32,251 through 79-32,254, and amendments thereto.

4 (xvi) The amount of any amortization deduction claimed in
5 determining federal adjusted gross income to the extent the same is
6 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,227, 79-
7 32,232, 79-32,237, 79-32,249, 79-32,250 or 79-32,255, and amendments
8 thereto.

9 (xvii) The amount of any amortization deduction claimed in
10 determining federal adjusted gross income to the extent the same is
11 claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,256, and
12 amendments thereto.

13 (xviii) For taxable years commencing after December 31, 2006, the
14 amount of any ad valorem or property taxes and assessments paid to a state
15 other than Kansas or local government located in a state other than Kansas
16 by a taxpayer who resides in a state other than Kansas, when the law of
17 such state does not allow a resident of Kansas who earns income in such
18 other state to claim a deduction for ad valorem or property taxes or
19 assessments paid to a political subdivision of the state of Kansas in
20 determining taxable income for income tax purposes in such other state, to
21 the extent that such taxes and assessments are claimed as an itemized
22 deduction for federal income tax purposes.

23 (xix) For ~~all~~ taxable years beginning after December 31, 2012, *and*
24 *ending before January 1, 2017*, the amount of any: (1) Loss from business
25 as determined under the federal internal revenue code and reported from
26 schedule C and on line 12 of the taxpayer's form 1040 federal individual
27 income tax return; (2) loss from rental real estate, royalties, partnerships, S
28 corporations, except those with wholly owned subsidiaries subject to the
29 Kansas privilege tax, estates, trusts, residual interest in real estate
30 mortgage investment conduits and net farm rental as determined under the
31 federal internal revenue code and reported from schedule E and on line 17
32 of the taxpayer's form 1040 federal individual income tax return; and (3)
33 farm loss as determined under the federal internal revenue code and
34 reported from schedule F and on line 18 of the taxpayer's form 1040
35 federal income tax return; all to the extent deducted or subtracted in
36 determining the taxpayer's federal adjusted gross income. For purposes of
37 this subsection, references to the federal form 1040 and federal schedule
38 C, schedule E, and schedule F, shall be to such form and schedules as they
39 existed for tax year 2011, and as revised thereafter by the internal revenue
40 service.

41 (xx) For ~~all~~ taxable years beginning after December 31, 2012, *and*
42 *ending before January 1, 2017*, the amount of any deduction for self-
43 employment taxes under section 164(f) of the federal internal revenue

1 code as in effect on January 1, 2012, and amendments thereto, in
2 determining the federal adjusted gross income of an individual taxpayer, to
3 the extent the deduction is attributable to income reported on schedule C,
4 E or F and on line 12, 17 or 18 of the taxpayer's form 1040 federal income
5 tax return.

6 (xxi) For ~~all~~ taxable years beginning after December 31, 2012, *and*
7 *ending before January 1, 2017*, the amount of any deduction for pension,
8 profit sharing, and annuity plans of self-employed individuals under
9 section 62(a)(6) of the federal internal revenue code as in effect on January
10 1, 2012, and amendments thereto, in determining the federal adjusted gross
11 income of an individual taxpayer.

12 (xxii) For ~~all~~ taxable years beginning after December 31, 2012, *and*
13 *ending before January 1, 2017*, the amount of any deduction for health
14 insurance under section 162(l) of the federal internal revenue code as in
15 effect on January 1, 2012, and amendments thereto, in determining the
16 federal adjusted gross income of an individual taxpayer.

17 (xxiii) For ~~all~~ taxable years beginning after December 31, 2012, *and*
18 *ending before January 1, 2017*, the amount of any deduction for domestic
19 production activities under section 199 of the federal internal revenue code
20 as in effect on January 1, 2012, and amendments thereto, in determining
21 the federal adjusted gross income of an individual taxpayer.

22 (xxiv) For taxable years commencing after December 31, 2013, that
23 portion of the amount of any expenditure deduction claimed in
24 determining federal adjusted gross income for expenses paid for medical
25 care of the taxpayer or the taxpayer's spouse or dependents when such
26 expenses were paid or incurred for an abortion, or for a health benefit plan,
27 as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, for the
28 purchase of an optional rider for coverage of abortion in accordance with
29 K.S.A. 2016 Supp. 40-2,190, and amendments thereto, to the extent that
30 such taxes and assessments are claimed as an itemized deduction for
31 federal income tax purposes.

32 (xxv) For taxable years commencing after December 31, 2013, that
33 portion of the amount of any expenditure deduction claimed in
34 determining federal adjusted gross income for expenses paid by a taxpayer
35 for health care when such expenses were paid or incurred for abortion
36 coverage, a health benefit plan, as defined in K.S.A. 2016 Supp. 65-6731,
37 and amendments thereto, when such expenses were paid or incurred for
38 abortion coverage or amounts contributed to health savings accounts for
39 such taxpayer's employees for the purchase of an optional rider for
40 coverage of abortion in accordance with K.S.A. 2016 Supp. 40-2,190, and
41 amendments thereto, to the extent that such taxes and assessments are
42 claimed as a deduction for federal income tax purposes.

43 (c) There shall be subtracted from federal adjusted gross income:

1 (i) Interest or dividend income on obligations or securities of any
2 authority, commission or instrumentality of the United States and its
3 possessions less any related expenses directly incurred in the purchase of
4 such obligations or securities, to the extent included in federal adjusted
5 gross income but exempt from state income taxes under the laws of the
6 United States.

7 (ii) Any amounts received which are included in federal adjusted
8 gross income but which are specifically exempt from Kansas income
9 taxation under the laws of the state of Kansas.

10 (iii) The portion of any gain or loss from the sale or other disposition
11 of property having a higher adjusted basis for Kansas income tax purposes
12 than for federal income tax purposes on the date such property was sold or
13 disposed of in a transaction in which gain or loss was recognized for
14 purposes of federal income tax that does not exceed such difference in
15 basis, but if a gain is considered a long-term capital gain for federal
16 income tax purposes, the modification shall be limited to that portion of
17 such gain which is included in federal adjusted gross income.

18 (iv) The amount necessary to prevent the taxation under this act of
19 any annuity or other amount of income or gain which was properly
20 included in income or gain and was taxed under the laws of this state for a
21 taxable year prior to the effective date of this act, as amended, to the
22 taxpayer, or to a decedent by reason of whose death the taxpayer acquired
23 the right to receive the income or gain, or to a trust or estate from which
24 the taxpayer received the income or gain.

25 (v) The amount of any refund or credit for overpayment of taxes on
26 or measured by income or fees or payments in lieu of income taxes
27 imposed by this state, or any taxing jurisdiction, to the extent included in
28 gross income for federal income tax purposes.

29 (vi) Accumulation distributions received by a taxpayer as a
30 beneficiary of a trust to the extent that the same are included in federal
31 adjusted gross income.

32 (vii) Amounts received as annuities under the federal civil service
33 retirement system from the civil service retirement and disability fund and
34 other amounts received as retirement benefits in whatever form which
35 were earned for being employed by the federal government or for service
36 in the armed forces of the United States.

37 (viii) Amounts received by retired railroad employees as a
38 supplemental annuity under the provisions of 45 U.S.C. §§ 228b (a) and
39 228c (a)(1) et seq.

40 (ix) Amounts received by retired employees of a city and by retired
41 employees of any board of such city as retirement allowances pursuant to
42 K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter
43 ordinance exempting a city from the provisions of K.S.A. 13-14,106, and

1 amendments thereto.

2 (x) For taxable years beginning after December 31, 1976, the amount
3 of the federal tentative jobs tax credit disallowance under the provisions of
4 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the
5 amount of the targeted jobs tax credit and work incentive credit
6 disallowances under 26 U.S.C. § 280 C.

7 (xi) For taxable years beginning after December 31, 1986, dividend
8 income on stock issued by Kansas venture capital, inc.

9 (xii) For taxable years beginning after December 31, 1989, amounts
10 received by retired employees of a board of public utilities as pension and
11 retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249,
12 and amendments thereto.

13 (xiii) For taxable years beginning after December 31, 2004, amounts
14 contributed to and the amount of income earned on contributions deposited
15 to an individual development account under K.S.A. 2016 Supp. 74-50,201
16 et seq., and amendments thereto.

17 (xiv) For all taxable years commencing after December 31, 1996, that
18 portion of any income of a bank organized under the laws of this state or
19 any other state, a national banking association organized under the laws of
20 the United States, an association organized under the savings and loan
21 code of this state or any other state, or a federal savings association
22 organized under the laws of the United States, for which an election as an
23 S corporation under subchapter S of the federal internal revenue code is in
24 effect, which accrues to the taxpayer who is a stockholder of such
25 corporation and which is not distributed to the stockholders as dividends of
26 the corporation. For ~~all~~ taxable years beginning after December 31, 2012,
27 *and ending before January 1, 2017*, the amount of modification under this
28 subsection shall exclude the portion of income or loss reported on schedule
29 E and included on line 17 of the taxpayer's form 1040 federal individual
30 income tax return.

31 (xv) For all taxable years beginning after December 31, 2006,
32 amounts not exceeding \$3,000, or \$6,000 for a married couple filing a
33 joint return, for each designated beneficiary which are contributed to a
34 family postsecondary education savings account established under the
35 Kansas postsecondary education savings program or a qualified tuition
36 program established and maintained by another state or agency or
37 instrumentality thereof pursuant to section 529 of the internal revenue
38 code of 1986, as amended, for the purpose of paying the qualified higher
39 education expenses of a designated beneficiary at an institution of
40 postsecondary education. The terms and phrases used in this paragraph
41 shall have the meaning respectively ascribed thereto by the provisions of
42 K.S.A. 2016 Supp. 75-643, and amendments thereto, and the provisions of
43 such section are hereby incorporated by reference for all purposes thereof.

1 (xvi) For all taxable years beginning after December 31, 2004,
2 amounts received by taxpayers who are or were members of the armed
3 forces of the United States, including service in the Kansas army and air
4 national guard, as a recruitment, sign up or retention bonus received by
5 such taxpayer as an incentive to join, enlist or remain in the armed services
6 of the United States, including service in the Kansas army and air national
7 guard, and amounts received for repayment of educational or student loans
8 incurred by or obligated to such taxpayer and received by such taxpayer as
9 a result of such taxpayer's service in the armed forces of the United States,
10 including service in the Kansas army and air national guard.

11 (xvii) For all taxable years beginning after December 31, 2004,
12 amounts received by taxpayers who are eligible members of the Kansas
13 army and air national guard as a reimbursement pursuant to K.S.A. 48-
14 281, and amendments thereto, and amounts received for death benefits
15 pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section
16 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and
17 amendments thereto, to the extent that such death benefits are included in
18 federal adjusted gross income of the taxpayer.

19 (xviii) For the taxable year beginning after December 31, 2006,
20 amounts received as benefits under the federal social security act which
21 are included in federal adjusted gross income of a taxpayer with federal
22 adjusted gross income of \$50,000 or less, whether such taxpayer's filing
23 status is single, head of household, married filing separate or married filing
24 jointly; and for all taxable years beginning after December 31, 2007,
25 amounts received as benefits under the federal social security act which
26 are included in federal adjusted gross income of a taxpayer with federal
27 adjusted gross income of \$75,000 or less, whether such taxpayer's filing
28 status is single, head of household, married filing separate or married filing
29 jointly.

30 (xix) Amounts received by retired employees of Washburn university
31 as retirement and pension benefits under the university's retirement plan.

32 (xx) For ~~all~~ taxable years beginning after December 31, 2012, *and*
33 *ending before January 1, 2017*, the amount of any: (1) Net profit from
34 business as determined under the federal internal revenue code and
35 reported from schedule C and on line 12 of the taxpayer's form 1040
36 federal individual income tax return; (2) net income, not including
37 guaranteed payments as defined in section 707(c) of the federal internal
38 revenue code and as reported to the taxpayer from federal schedule K-1,
39 (form 1065-B), in box 9, code F or as reported to the taxpayer from federal
40 schedule K-1, (form 1065) in box 4, from rental real estate, royalties,
41 partnerships, S corporations, estates, trusts, residual interest in real estate
42 mortgage investment conduits and net farm rental as determined under the
43 federal internal revenue code and reported from schedule E and on line 17

1 of the taxpayer's form 1040 federal individual income tax return; and (3)
2 net farm profit as determined under the federal internal revenue code and
3 reported from schedule F and on line 18 of the taxpayer's form 1040
4 federal income tax return; all to the extent included in the taxpayer's
5 federal adjusted gross income. For purposes of this subsection, references
6 to the federal form 1040 and federal schedule C, schedule E, and schedule
7 F, shall be to such form and schedules as they existed for tax year 2011
8 and as revised thereafter by the internal revenue service.

9 (xxi) For all taxable years beginning after December 31, 2013,
10 amounts equal to the unreimbursed travel, lodging and medical
11 expenditures directly incurred by a taxpayer while living, or a dependent
12 of the taxpayer while living, for the donation of one or more human organs
13 of the taxpayer, or a dependent of the taxpayer, to another person for
14 human organ transplantation. The expenses may be claimed as a
15 subtraction modification provided for in this section to the extent the
16 expenses are not already subtracted from the taxpayer's federal adjusted
17 gross income. In no circumstances shall the subtraction modification
18 provided for in this section for any individual, or a dependent, exceed
19 \$5,000. As used in this section, "human organ" means all or part of a liver,
20 pancreas, kidney, intestine, lung or bone marrow. The provisions of this
21 paragraph shall take effect on the day the secretary of revenue certifies to
22 the director of the budget that the cost for the department of revenue of
23 modifications to the automated tax system for the purpose of
24 implementing this paragraph will not exceed \$20,000.

25 (xxii) For ~~all~~ taxable years beginning after December 31, 2012, *and*
26 *ending before January 1, 2017*, the amount of net gain from the sale of: (1)
27 Cattle and horses, regardless of age, held by the taxpayer for draft,
28 breeding, dairy or sporting purposes, and held by such taxpayer for 24
29 months or more from the date of acquisition; and (2) other livestock,
30 regardless of age, held by the taxpayer for draft, breeding, dairy or
31 sporting purposes, and held by such taxpayer for 12 months or more from
32 the date of acquisition. The subtraction from federal adjusted gross income
33 shall be limited to the amount of the additions recognized under the
34 provisions of subsection (b)(xix) attributable to the business in which the
35 livestock sold had been used. As used in this paragraph, the term
36 "livestock" shall not include poultry.

37 (xxiii) For all taxable years beginning after December 31, 2012,
38 amounts received under either the Overland Park, Kansas police
39 department retirement plan or the Overland Park, Kansas fire department
40 retirement plan, both as established by the city of Overland Park, pursuant
41 to the city's home rule authority.

42 (xxiv) For ~~all~~ taxable years beginning after December 31, 2013, *and*
43 *ending before January 1, 2017*, the net gain from the sale from Christmas

1 trees grown in Kansas and held by the taxpayer for six years or more.

2 (d) There shall be added to or subtracted from federal adjusted gross
3 income the taxpayer's share, as beneficiary of an estate or trust, of the
4 Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and
5 amendments thereto.

6 (e) The amount of modifications required to be made under this
7 section by a partner which relates to items of income, gain, loss, deduction
8 or credit of a partnership shall be determined under K.S.A. 79-32,131, and
9 amendments thereto, to the extent that such items affect federal adjusted
10 gross income of the partner.

11 (f) *Any taxpayer who is in compliance with the provisions of this*
12 *section as it appears on June 30, 2017, shall not be assessed penalties and*
13 *interest arising from the underpayment of taxes due to changes to this*
14 *section that became law on July 1, 2017, so long as such underpayment*
15 *occurred prior to July 1, 2017, and is rectified on or before April 15, 2018.*

16 Sec. 3. K.S.A. 2016 Supp. 79-32,120 is hereby amended to read as
17 follows: 79-32,120. (a) (1) If federal taxable income of an individual is
18 determined by itemizing deductions from such individual's federal
19 adjusted gross income, such individual may elect to deduct the Kansas
20 itemized deduction in lieu of the Kansas standard deduction.

21 (2) For the tax year commencing on January 1, 2013, the Kansas
22 itemized deduction of an individual means 70% of the total amount of
23 deductions from federal adjusted gross income, other than federal
24 deductions for personal exemptions, as provided in the federal internal
25 revenue code with the modifications specified in this section.

26 (3) For the tax year commencing on January 1, 2014, the Kansas
27 itemized deduction of an individual means 65% of the total amount of
28 deductions from federal adjusted gross income, other than federal
29 deductions for personal exemptions, as provided in the federal internal
30 revenue code with the modifications specified in this section.

31 (4) For the tax years commencing on and after January 1, 2015, the
32 Kansas itemized deduction of an individual means the following
33 deductions from federal adjusted gross income, other than federal
34 deductions for personal exemptions, as provided in the federal internal
35 revenue code with the modifications specified in this section: (A) 100% of
36 charitable contributions that qualify as charitable contributions allowable
37 as deductions in section 170 of the federal internal revenue code; (B) 50%
38 of the amount of qualified residence interest as provided in section 163(h)
39 of the federal internal revenue code; and (C) 50% of the amount of taxes
40 on real and personal property as provided in section 164(a) of the federal
41 internal revenue code.

42 (5) *For the tax years commencing on and after January 1, 2017, the*
43 *Kansas itemized deduction of an individual means the following*

1 *deductions from federal adjusted gross income, other than federal*
2 *deductions for personal exemptions, as provided in the federal internal*
3 *revenue code with the modifications specified in this section: (A) 100% of*
4 *charitable contributions that qualify as charitable contributions allowable*
5 *as deductions in section 170 of the federal internal revenue code; (B)*
6 *except as otherwise provided in KSA 79-32,117(b) (xxiv) and (xxv), and*
7 *amendments thereto, 100% of expenses for medical care allowable as*
8 *deductions in section 213 of the federal internal revenue code; (C) 50% of*
9 *the amount of qualified residence interest as provided in section 163(h) of*
10 *the federal internal revenue code; and (D) 50% of the amount of taxes on*
11 *real and personal property as provided in section 164(a) of the federal*
12 *internal revenue code.*

13 (b) The total amount of deductions from federal adjusted gross
14 income shall be reduced by the total amount of income taxes imposed by
15 or paid to this state or any other taxing jurisdiction to the extent that the
16 same are deducted in determining the federal itemized deductions and by
17 the amount of all depreciation deductions claimed for any real or tangible
18 personal property upon which the deduction allowed by K.S.A. 2016
19 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250,
20 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

21 Sec. 4. K.S.A. 2016 Supp. 79-32,138 is hereby amended to read as
22 follows: 79-32,138. (a) Kansas taxable income of a corporation taxable
23 under this act shall be the corporation's federal taxable income for the
24 taxable year with the modifications specified in this section.

25 (b) There shall be added to federal taxable income: (i) The same
26 modifications as are set forth in ~~subsection (b)~~ of K.S.A. 79-32,117(b), and
27 amendments thereto, with respect to resident individuals, except
28 subsections (b)(xix), (b)(xx), (b)(xxi), (b)(xxii) and (b)(xxiii);

29 (ii) the amount of all depreciation deductions claimed for any
30 property upon which the deduction allowed by K.S.A. 2016 Supp. 79-
31 32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,249, 79-32,250, 79-
32 32,255 or 79-32,256, and amendments thereto, is claimed;

33 (iii) the amount of any charitable contribution deduction claimed for
34 any contribution or gift to or for the use of any racially segregated
35 educational institution;

36 (iv) for taxable years commencing December 31, 2013, that portion
37 of the amount of any expenditure deduction claimed in determining federal
38 adjusted gross income for expenses paid by a taxpayer for health care
39 when such expenses were paid or incurred for abortion coverage, a health
40 benefit plan, as defined in K.S.A. 2016 Supp. 65-6731, and amendments
41 thereto, when such expenses were paid or incurred for abortion coverage
42 or amounts contributed to health savings accounts for such taxpayer's
43 employees for the purchase of an optional rider for coverage of abortion in

1 accordance with K.S.A. 2016 Supp. 40-2,190, and amendments thereto-;

2 (v) the amount of any charitable contribution deduction claimed for
3 any contribution or gift made to a scholarship granting organization to the
4 extent the same is claimed as the basis for the credit allowed pursuant to
5 K.S.A. 2016 Supp. 72-99a07, and amendments thereto-; *and*

6 (vi) *the federal net operating loss deduction.*

7 (c) There shall be subtracted from federal taxable income: (i) The
8 same modifications as are set forth in ~~subsection (e)~~ of K.S.A. 79-
9 32,117(c), and amendments thereto, with respect to resident individuals,
10 except subsection (c)(xx)-;

11 (ii) the federal income tax liability for any taxable year commencing
12 prior to December 31, 1971, for which a Kansas return was filed after
13 reduction for all credits thereon, except credits for payments on estimates
14 of federal income tax, credits for gasoline and lubricating oil tax, and for
15 foreign tax credits if, on the Kansas income tax return for such prior year,
16 the federal income tax deduction was computed on the basis of the federal
17 income tax paid in such prior year, rather than as accrued. Notwithstanding
18 the foregoing, the deduction for federal income tax liability for any year
19 shall not exceed that portion of the total federal income tax liability for
20 such year which bears the same ratio to the total federal income tax
21 liability for such year as the Kansas taxable income, as computed before
22 any deductions for federal income taxes and after application of
23 subsections (d) and (e) of this section as existing for such year, bears to the
24 federal taxable income for the same year-;

25 (iii) an amount for the amortization deduction allowed pursuant to
26 K.S.A. 2016 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-
27 32,249, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto-;

28 (iv) for all taxable years commencing after December 31, 1987, the
29 amount included in federal taxable income pursuant to the provisions of
30 section 78 of the internal revenue code-; *and*

31 (v) for all taxable years commencing after December 31, 1987, 80%
32 of dividends from corporations incorporated outside of the United States
33 or the District of Columbia which are included in federal taxable income.

34 (d) If any corporation derives all of its income from sources within
35 Kansas in any taxable year commencing after December 31, 1979, its
36 Kansas taxable income shall be the sum resulting after application of
37 subsections (a) through (c) hereof. Otherwise, such corporation's Kansas
38 taxable income in any such taxable year, after excluding any refunds of
39 federal income tax and before the deduction of federal income taxes
40 provided by subsection (c)(ii) shall be allocated as provided in K.S.A. 79-
41 3271 ~~to K.S.A. through 79-3293, inclusive,~~ and amendments thereto, plus
42 any refund of federal income tax as determined under ~~paragraph (iv) of~~
43 ~~subsection (b) of K.S.A. 79-32,117(b)(iv),~~ and amendments thereto, and

1 minus the deduction for federal income taxes as provided by subsection (c)
2 (ii) shall be such corporation's Kansas taxable income.

3 (e) A corporation may make an election with respect to its first
4 taxable year commencing after December 31, 1982, whereby no addition
5 modifications as provided for in subsection (b)(ii) of K.S.A. 79-32,138,
6 and amendments thereto, and subtraction modifications as provided for in
7 subsection (c)(iii) of K.S.A. 79-32,138, and amendments thereto, as those
8 subsections existed prior to their amendment by this act, shall be required
9 to be made for such taxable year.

10 Sec. 5. K.S.A. 2016 Supp. 79-3602 is hereby amended to read as
11 follows: 79-3602. Except as otherwise provided, as used in the Kansas
12 retailers' sales tax act:

13 (a) "Agent" means a person appointed by a seller to represent the
14 seller before the member states.

15 (b) "Agreement" means the multistate agreement entitled the
16 streamlined sales and use tax agreement approved by the streamlined sales
17 tax implementing states at Chicago, Illinois on November 12, 2002.

18 (c) "Alcoholic beverages" means beverages that are suitable for
19 human consumption and contain 0.05% or more of alcohol by volume.

20 (d) "Certified automated system (CAS)" means software certified
21 under the agreement to calculate the tax imposed by each jurisdiction on a
22 transaction, determine the amount of tax to remit to the appropriate state
23 and maintain a record of the transaction.

24 (e) "Certified service provider (CSP)" means an agent certified under
25 the agreement to perform all the seller's sales and use tax functions, other
26 than the seller's obligation to remit tax on its own purchases.

27 (f) "Computer" means an electronic device that accepts information
28 in digital or similar form and manipulates it for a result based on a
29 sequence of instructions.

30 (g) "Computer software" means a set of coded instructions designed
31 to cause a computer or automatic data processing equipment to perform a
32 task.

33 (h) "Delivered electronically" means delivered to the purchaser by
34 means other than tangible storage media.

35 (i) "Delivery charges" means charges by the seller of personal
36 property or services for preparation and delivery to a location designated
37 by the purchaser of personal property or services including, but not limited
38 to, transportation, shipping, postage, handling, crating and packing.
39 "Delivery charges" shall not include charges for delivery of direct mail if
40 the charges are separately stated on an invoice or similar billing document
41 given to the purchaser.

42 (j) "Direct mail" means printed material delivered or distributed by
43 United States mail or other delivery services to a mass audience or to

1 addressees on a mailing list provided by the purchaser or at the direction of
2 the purchaser when the cost of the items are not billed directly to the
3 recipients. "Direct mail" includes tangible personal property supplied
4 directly or indirectly by the purchaser to the direct mail seller for inclusion
5 in the package containing the printed material. "Direct mail" does not
6 include multiple items of printed material delivered to a single address.

7 (k) "Director" means the state director of taxation.

8 (l) "Educational institution" means any nonprofit school, college and
9 university that offers education at a level above the 12th grade, and
10 conducts regular classes and courses of study required for accreditation by,
11 or membership in, the North central association of colleges and schools,
12 the state board of education, or that otherwise qualify as an "educational
13 institution," as defined by K.S.A. 74-50,103, and amendments thereto.
14 Such phrase shall include: (1) A group of educational institutions that
15 operates exclusively for an educational purpose; (2) nonprofit endowment
16 associations and foundations organized and operated exclusively to
17 receive, hold, invest and administer moneys and property as a permanent
18 fund for the support and sole benefit of an educational institution; (3)
19 nonprofit trusts, foundations and other entities organized and operated
20 principally to hold and own receipts from intercollegiate sporting events
21 and to disburse such receipts, as well as grants and gifts, in the interest of
22 collegiate and intercollegiate athletic programs for the support and sole
23 benefit of an educational institution; and (4) nonprofit trusts, foundations
24 and other entities organized and operated for the primary purpose of
25 encouraging, fostering and conducting scholarly investigations and
26 industrial and other types of research for the support and sole benefit of an
27 educational institution.

28 (m) "Electronic" means relating to technology having electrical,
29 digital, magnetic, wireless, optical, electromagnetic or similar capabilities.

30 (n) "Food and food ingredients" means substances, whether in liquid,
31 concentrated, solid, frozen, dried or dehydrated form, that are sold for
32 ingestion or chewing by humans and are consumed for their taste or
33 nutritional value. "Food and food ingredients" does not include alcoholic
34 beverages ~~or~~, tobacco *or food sold through vending machines*. *"Food and*
35 *food ingredients" does include bottled water, candy, dietary supplements*
36 *and soft drinks*.

37 (o) "Gross receipts" means the total selling price or the amount
38 received as defined in this act, in money, credits, property or other
39 consideration valued in money from sales at retail within this state; and
40 embraced within the provisions of this act. The taxpayer, may take credit
41 in the report of gross receipts for: (1) An amount equal to the selling price
42 of property returned by the purchaser when the full sale price thereof,
43 including the tax collected, is refunded in cash or by credit; and (2) an

1 amount equal to the allowance given for the trade-in of property.

2 (p) "Ingredient or component part" means tangible personal property
3 which is necessary or essential to, and which is actually used in and
4 becomes an integral and material part of tangible personal property or
5 services produced, manufactured or compounded for sale by the producer,
6 manufacturer or compounder in its regular course of business. The
7 following items of tangible personal property are hereby declared to be
8 ingredients or component parts, but the listing of such property shall not be
9 deemed to be exclusive nor shall such listing be construed to be a
10 restriction upon, or an indication of, the type or types of property to be
11 included within the definition of "ingredient or component part" as herein
12 set forth:

13 (1) Containers, labels and shipping cases used in the distribution of
14 property produced, manufactured or compounded for sale which are not to
15 be returned to the producer, manufacturer or compounder for reuse.

16 (2) Containers, labels, shipping cases, paper bags, drinking straws,
17 paper plates, paper cups, twine and wrapping paper used in the distribution
18 and sale of property taxable under the provisions of this act by wholesalers
19 and retailers and which is not to be returned to such wholesaler or retailer
20 for reuse.

21 (3) Seeds and seedlings for the production of plants and plant
22 products produced for resale.

23 (4) Paper and ink used in the publication of newspapers.

24 (5) Fertilizer used in the production of plants and plant products
25 produced for resale.

26 (6) Feed for animals, fowl and aquatic plants and animals, the
27 primary purpose of which is use in agriculture or aquaculture, as defined in
28 K.S.A. 47-1901, and amendments thereto, the production of food for
29 human consumption, the production of animal, dairy, poultry or aquatic
30 plant and animal products, fiber, fur, or the production of offspring for use
31 for any such purpose or purposes.

32 (q) "Isolated or occasional sale" means the nonrecurring sale of
33 tangible personal property, or services taxable hereunder by a person not
34 engaged at the time of such sale in the business of selling such property or
35 services. Any religious organization which makes a nonrecurring sale of
36 tangible personal property acquired for the purpose of resale shall be
37 deemed to be not engaged at the time of such sale in the business of selling
38 such property. Such term shall include: (1) Any sale by a bank, savings and
39 loan institution, credit union or any finance company licensed under the
40 provisions of the Kansas uniform consumer credit code of tangible
41 personal property which has been repossessed by any such entity; and (2)
42 any sale of tangible personal property made by an auctioneer or agent on
43 behalf of not more than two principals or households if such sale is

1 nonrecurring and any such principal or household is not engaged at the
2 time of such sale in the business of selling tangible personal property.

3 (r) "Lease or rental" means any transfer of possession or control of
4 tangible personal property for a fixed or indeterminate term for
5 consideration. A "lease or rental" may include future options to purchase
6 or extend.

7 (1) "Lease or rental" does not include: (A) A transfer of possession or
8 control of property under a security agreement or deferred payment plan
9 that requires the transfer of title upon completion of the required
10 payments;

11 (B) a transfer or possession or control of property under an agreement
12 that requires the transfer of title upon completion of required payments and
13 payment of an option price does not exceed the greater of \$100 or 1% of
14 the total required payments; or

15 (C) providing tangible personal property along with an operator for a
16 fixed or indeterminate period of time. A condition of this exclusion is that
17 the operator is necessary for the equipment to perform as designed. For the
18 purpose of this subsection, an operator must do more than maintain,
19 inspect or set-up the tangible personal property.

20 (2) "Lease or rental" does include agreements covering motor
21 vehicles and trailers where the amount of consideration may be increased
22 or decreased by reference to the amount realized upon sale or disposition
23 of the property as defined in 26 U.S.C. § 7701(h)(1).

24 (3) This definition shall be used for sales and use tax purposes
25 regardless if a transaction is characterized as a lease or rental under
26 generally accepted accounting principles, the internal revenue code, the
27 uniform commercial code, K.S.A. 84-1-101 et seq., and amendments
28 thereto, or other provisions of federal, state or local law.

29 (4) This definition will be applied only prospectively from the
30 effective date of this act and will have no retroactive impact on existing
31 leases or rentals.

32 (s) "Load and leave" means delivery to the purchaser by use of a
33 tangible storage media where the tangible storage media is not physically
34 transferred to the purchaser.

35 (t) "Member state" means a state that has entered in the agreement,
36 pursuant to provisions of article VIII of the agreement.

37 (u) "Model 1 seller" means a seller that has selected a CSP as its
38 agent to perform all the seller's sales and use tax functions, other than the
39 seller's obligation to remit tax on its own purchases.

40 (v) "Model 2 seller" means a seller that has selected a CAS to
41 perform part of its sales and use tax functions, but retains responsibility for
42 remitting the tax.

43 (w) "Model 3 seller" means a seller that has sales in at least five

1 member states, has total annual sales revenue of at least \$500,000,000, has
2 a proprietary system that calculates the amount of tax due each jurisdiction
3 and has entered into a performance agreement with the member states that
4 establishes a tax performance standard for the seller. As used in this
5 subsection a seller includes an affiliated group of sellers using the same
6 proprietary system.

7 (x) "Municipal corporation" means any city incorporated under the
8 laws of Kansas.

9 (y) "Nonprofit blood bank" means any nonprofit place, organization,
10 institution or establishment that is operated wholly or in part for the
11 purpose of obtaining, storing, processing, preparing for transfusing,
12 furnishing, donating or distributing human blood or parts or fractions of
13 single blood units or products derived from single blood units, whether or
14 not any remuneration is paid therefor, or whether such procedures are done
15 for direct therapeutic use or for storage for future use of such products.

16 (z) "Persons" means any individual, firm, copartnership, joint
17 adventure, association, corporation, estate or trust, receiver or trustee, or
18 any group or combination acting as a unit, and the plural as well as the
19 singular number; and shall specifically mean any city or other political
20 subdivision of the state of Kansas engaging in a business or providing a
21 service specifically taxable under the provisions of this act.

22 (aa) "Political subdivision" means any municipality, agency or
23 subdivision of the state which is, or shall hereafter be, authorized to levy
24 taxes upon tangible property within the state or which certifies a levy to a
25 municipality, agency or subdivision of the state which is, or shall hereafter
26 be, authorized to levy taxes upon tangible property within the state. Such
27 term also shall include any public building commission, housing, airport,
28 port, metropolitan transit or similar authority established pursuant to law
29 and the horsethief reservoir benefit district established pursuant to K.S.A.
30 82a-2201, and amendments thereto.

31 (bb) "Prescription" means an order, formula or recipe issued in any
32 form of oral, written, electronic or other means of transmission by a duly
33 licensed practitioner authorized by the laws of this state.

34 (cc) "Prewritten computer software" means computer software,
35 including prewritten upgrades, which is not designed and developed by the
36 author or other creator to the specifications of a specific purchaser. The
37 combining of two or more prewritten computer software programs or
38 prewritten portions thereof does not cause the combination to be other than
39 prewritten computer software. "Prewritten computer software" includes
40 software designed and developed by the author or other creator to the
41 specifications of a specific purchaser when it is sold to a person other than
42 the purchaser. Where a person modifies or enhances computer software of
43 which the person is not the author or creator, the person shall be deemed to

1 be the author or creator only of such person's modifications or
2 enhancements. Prewritten computer software or a prewritten portion
3 thereof that is modified or enhanced to any degree, where such
4 modification or enhancement is designed and developed to the
5 specifications of a specific purchaser, remains prewritten computer
6 software, except that where there is a reasonable, separately stated charge
7 or an invoice or other statement of the price given to the purchaser for
8 such modification or enhancement, such modification or enhancement
9 shall not constitute prewritten computer software.

10 (dd) "Property which is consumed" means tangible personal property
11 which is essential or necessary to and which is used in the actual process
12 of and consumed, depleted or dissipated within one year in: (1) The
13 production, manufacture, processing, mining, drilling, refining or
14 compounding of tangible personal property; (2) the providing of services;
15 (3) the irrigation of crops, for sale in the regular course of business; or (4)
16 the storage or processing of grain by a public grain warehouse or other
17 grain storage facility, and which is not reusable for such purpose. The
18 following is a listing of tangible personal property, included by way of
19 illustration but not of limitation, which qualifies as property which is
20 consumed:

21 (A) Insecticides, herbicides, germicides, pesticides, fungicides,
22 fumigants, antibiotics, biologicals, pharmaceuticals, vitamins and
23 chemicals for use in commercial or agricultural production, processing or
24 storage of fruit, vegetables, feeds, seeds, grains, animals or animal
25 products whether fed, injected, applied, combined with or otherwise used;

26 (B) electricity, gas and water; and

27 (C) petroleum products, lubricants, chemicals, solvents, reagents and
28 catalysts.

29 (ee) "Purchase price" applies to the measure subject to use tax and
30 has the same meaning as sales price.

31 (ff) "Purchaser" means a person to whom a sale of personal property
32 is made or to whom a service is furnished.

33 (gg) "Quasi-municipal corporation" means any county, township,
34 school district, drainage district or any other governmental subdivision in
35 the state of Kansas having authority to receive or hold moneys or funds.

36 (hh) "Registered under this agreement" means registration by a seller
37 with the member states under the central registration system provided in
38 article IV of the agreement.

39 (ii) "Retailer" means a seller regularly engaged in the business of
40 selling, leasing or renting tangible personal property at retail or furnishing
41 electrical energy, gas, water, services or entertainment, and selling only to
42 the user or consumer and not for resale.

43 (jj) "Retail sale" or "sale at retail" means any sale, lease or rental for

1 any purpose other than for resale, sublease or subrent.

2 (kk) "Sale" or "sales" means the exchange of tangible personal
3 property, as well as the sale thereof for money, and every transaction,
4 conditional or otherwise, for a consideration, constituting a sale, including
5 the sale or furnishing of electrical energy, gas, water, services or
6 entertainment taxable under the terms of this act and including, except as
7 provided in the following provision, the sale of the use of tangible personal
8 property by way of a lease, license to use or the rental thereof regardless of
9 the method by which the title, possession or right to use the tangible
10 personal property is transferred. The term "sale" or "sales" shall not mean
11 the sale of the use of any tangible personal property used as a dwelling by
12 way of a lease or rental thereof for a term of more than 28 consecutive
13 days.

14 (ll) (1) "Sales or selling price" applies to the measure subject to sales
15 tax and means the total amount of consideration, including cash, credit,
16 property and services, for which personal property or services are sold,
17 leased or rented, valued in money, whether received in money or
18 otherwise, without any deduction for the following:

19 (A) The seller's cost of the property sold;

20 (B) the cost of materials used, labor or service cost, interest, losses,
21 all costs of transportation to the seller, all taxes imposed on the seller and
22 any other expense of the seller;

23 (C) charges by the seller for any services necessary to complete the
24 sale, other than delivery and installation charges;

25 (D) delivery charges; and

26 (E) installation charges.

27 (2) "Sales or selling price" includes consideration received by the
28 seller from third parties if:

29 (A) The seller actually receives consideration from a party other than
30 the purchaser and the consideration is directly related to a price reduction
31 or discount on the sale;

32 (B) the seller has an obligation to pass the price reduction or discount
33 through to the purchaser;

34 (C) the amount of the consideration attributable to the sale is fixed
35 and determinable by the seller at the time of the sale of the item to the
36 purchaser; and

37 (D) one of the following criteria is met:

38 (i) The purchaser presents a coupon, certificate or other
39 documentation to the seller to claim a price reduction or discount where
40 the coupon, certificate or documentation is authorized, distributed or
41 granted by a third party with the understanding that the third party will
42 reimburse any seller to whom the coupon, certificate or documentation is
43 presented;

1 (ii) the purchaser identifies to the seller that the purchaser is a
2 member of a group or organization entitled to a price reduction or
3 discount. A preferred customer card that is available to any patron does not
4 constitute membership in such a group; or

5 (iii) the price reduction or discount is identified as a third party price
6 reduction or discount on the invoice received by the purchaser or on a
7 coupon, certificate or other documentation presented by the purchaser.

8 (3) "Sales or selling price" shall not include:

9 (A) Discounts, including cash, term or coupons that are not
10 reimbursed by a third party that are allowed by a seller and taken by a
11 purchaser on a sale;

12 (B) interest, financing and carrying charges from credit extended on
13 the sale of personal property or services, if the amount is separately stated
14 on the invoice, bill of sale or similar document given to the purchaser;

15 (C) any taxes legally imposed directly on the consumer that are
16 separately stated on the invoice, bill of sale or similar document given to
17 the purchaser;

18 (D) the amount equal to the allowance given for the trade-in of
19 property, if separately stated on the invoice, billing or similar document
20 given to the purchaser; and

21 (E) commencing on July 1, 2006, and ending on June 30, 2009, cash
22 rebates granted by a manufacturer to a purchaser or lessee of a new motor
23 vehicle if paid directly to the retailer as a result of the original sale.

24 (mm) "Seller" means a person making sales, leases or rentals of
25 personal property or services.

26 (nn) "Service" means those services described in and taxed under the
27 provisions of K.S.A. 79-3603, and amendments thereto.

28 (oo) "Sourcing rules" means the rules set forth in K.S.A. 2016 Supp.
29 79-3670 through 79-3673, K.S.A. 12-191 and 12-191a, and amendments
30 thereto, which shall apply to identify and determine the state and local
31 taxing jurisdiction sales or use taxes to pay, or collect and remit on a
32 particular retail sale.

33 (pp) "Tangible personal property" means personal property that can
34 be seen, weighed, measured, felt or touched, or that is in any other manner
35 perceptible to the senses. "Tangible personal property" includes electricity,
36 water, gas, steam and prewritten computer software.

37 (qq) "Taxpayer" means any person obligated to account to the
38 director for taxes collected under the terms of this act.

39 (rr) "Tobacco" means cigarettes, cigars, chewing or pipe tobacco or
40 any other item that contains tobacco.

41 (ss) "Entity-based exemption" means an exemption based on who
42 purchases the product or who sells the product. An exemption that is
43 available to all individuals shall not be considered an entity-based

1 exemption.

2 (tt) "Over-the-counter" drug means a drug that contains a label that
3 identifies the product as a drug as required by 21 C.F.R. § 201.66. The
4 over-the-counter drug label includes: (1) A drug facts panel; or (2) a
5 statement of the active ingredients with a list of those ingredients
6 contained in the compound, substance or preparation. Over-the-counter
7 drugs do not include grooming and hygiene products such as soaps,
8 cleaning solutions, shampoo, toothpaste, antiperspirants and sun tan
9 lotions and screens.

10 (uu) "Ancillary services" means services that are associated with or
11 incidental to the provision of telecommunications services, including, but
12 not limited to, detailed telecommunications billing, directory assistance,
13 vertical service and voice mail services.

14 (vv) "Conference bridging service" means an ancillary service that
15 links two or more participants of an audio or video conference call and
16 may include the provision of a telephone number. "Conference bridging
17 service" does not include the telecommunications services used to reach
18 the conference bridge.

19 (ww) "Detailed telecommunications billing service" means an
20 ancillary service of separately stating information pertaining to individual
21 calls on a customer's billing statement.

22 (xx) "Directory assistance" means an ancillary service of providing
23 telephone number information or address information, or both.

24 (yy) "Vertical service" means an ancillary service that is offered in
25 connection with one or more telecommunications services, which offers
26 advanced calling features that allow customers to identify callers and to
27 manage multiple calls and call connections, including conference bridging
28 services.

29 (zz) "Voice mail service" means an ancillary service that enables the
30 customer to store, send or receive recorded messages. "Voice mail service"
31 does not include any vertical services that the customer may be required to
32 have in order to utilize the voice mail service.

33 (aaa) "Telecommunications service" means the electronic
34 transmission, conveyance or routing of voice, data, audio, video or any
35 other information or signals to a point, or between or among points. The
36 term "telecommunications service" includes such transmission,
37 conveyance or routing in which computer processing applications are used
38 to act on the form, code or protocol of the content for purposes of
39 transmissions, conveyance or routing without regard to whether such
40 service is referred to as voice over internet protocol services or is
41 classified by the federal communications commission as enhanced or value
42 added. "Telecommunications service" does not include:

43 (1) Data processing and information services that allow data to be

1 generated, acquired, stored, processed or retrieved and delivered by an
2 electronic transmission to a purchaser where such purchaser's primary
3 purpose for the underlying transaction is the processed data or
4 information;

5 (2) installation or maintenance of wiring or equipment on a
6 customer's premises;

7 (3) tangible personal property;

8 (4) advertising, including, but not limited to, directory advertising;

9 (5) billing and collection services provided to third parties;

10 (6) internet access service;

11 (7) radio and television audio and video programming services,
12 regardless of the medium, including the furnishing of transmission,
13 conveyance and routing of such services by the programming service
14 provider. Radio and television audio and video programming services shall
15 include, but not be limited to, cable service as defined in 47 U.S.C. §
16 522(6) and audio and video programming services delivered by
17 commercial mobile radio service providers, as defined in 47 C.F.R. § 20.3;

18 (8) ancillary services; or

19 (9) digital products delivered electronically, including, but not limited
20 to, software, music, video, reading materials or ring tones.

21 (bbb) "800 service" means a telecommunications service that allows a
22 caller to dial a toll-free number without incurring a charge for the call. The
23 service is typically marketed under the name 800, 855, 866, 877 and 888
24 toll-free calling, and any subsequent numbers designated by the federal
25 communications commission.

26 (ccc) "900 service" means an inbound toll telecommunications
27 service purchased by a subscriber that allows the subscriber's customers to
28 call in to the subscriber's prerecorded announcement or live service. "900
29 service" does not include the charge for collection services provided by the
30 seller of the telecommunications services to the subscriber, or service or
31 product sold by the subscriber to the subscriber's customer. The service is
32 typically marketed under the name 900 service, and any subsequent
33 numbers designated by the federal communications commission.

34 (ddd) "Value-added non-voice data service" means a service that
35 otherwise meets the definition of telecommunications services in which
36 computer processing applications are used to act on the form, content,
37 code or protocol of the information or data primarily for a purpose other
38 than transmission, conveyance or routing.

39 (eee) "International" means a telecommunications service that
40 originates or terminates in the United States and terminates or originates
41 outside the United States, respectively. United States includes the District
42 of Columbia or a U.S. territory or possession.

43 (fff) "Interstate" means a telecommunications service that originates

1 in one United States state, or a United States territory or possession, and
2 terminates in a different United States state or a United States territory or
3 possession.

4 (ggg) "Intrastate" means a telecommunications service that originates
5 in one United States state or a United States territory or possession, and
6 terminates in the same United States state or a United States territory or
7 possession.

8 (hhh) "*Bottled water*" means water that is placed in a safety sealed
9 container or package for human consumption. "*Bottled water*" is calorie
10 free and does not contain sweeteners or other additives, except that it may
11 contain:

- 12 (1) *Antimicrobial agents;*
- 13 (2) *fluoride;*
- 14 (3) *carbonation;*
- 15 (4) *vitamins, minerals and electrolytes;*
- 16 (5) *oxygen;*
- 17 (6) *preservatives; and*
- 18 (7) *only those flavors, extracts or essences derived from a spice or*
19 *fruit.*

20 "*Bottled water*" includes water that is delivered to the buyer in a
21 reusable container that is not sold with the water.

22 (iii) "*Candy*" means a preparation of sugar, honey or other natural or
23 artificial sweeteners in combination with chocolate, fruits, nuts or other
24 ingredients or flavorings in the form of bars, drops or pieces. "*Candy*"
25 shall not include any preparation containing flour and shall require no
26 refrigeration.

27 (jjj) "*Food sold through vending machines*" means food dispensed
28 from a machine or other mechanical device that accepts payment.

29 (lll) "*Prepared food*" means:

- 30 (1) *Food sold in a heated state or heated by the seller;*
- 31 (2) *two or more food ingredients mixed or combined by the seller for*
32 *sale as a single item; or*
- 33 (3) *food sold with eating utensils provided by the seller, including*
34 *plates, knives, forks, spoons, glasses, cups, napkins or straws. A plate does*
35 *not include a container or packaging used to transport the food.*

36 "*Prepared food*" does not include food that is only cut, repackaged or
37 pasteurized by the seller, and eggs, fish, meat, poultry and foods
38 containing these raw animal foods requiring cooking by the consumer as
39 recommended by the food and drug administration in chapter 3, part
40 401.11 of its food code so as to prevent food borne illnesses.

41 (mmm) "*Soft drinks*" means nonalcoholic beverages that contain
42 natural or artificial sweeteners. "*Soft drinks*" does not include beverages
43 that contain milk or milk products, soy, rice or similar milk substitutes, or

1 *greater than 50% of vegetable or fruit juice by volume.*

2 *(nnn) "Dietary supplement" shall have the same meaning ascribed to*
3 *it as in K.S.A. 79-3606(jjj), and amendments thereto.*

4 Sec. 6. K.S.A. 2016 Supp. 79-3603 is hereby amended to read as
5 follows: 79-3603. For the privilege of engaging in the business of selling
6 tangible personal property at retail in this state or rendering or furnishing
7 any of the services taxable under this act, there is hereby levied and there
8 shall be collected and paid a tax at the rate of 6.15%, and commencing
9 July 1, 2015, at the rate of 6.5%. Within a redevelopment district
10 established pursuant to K.S.A. 74-8921, and amendments thereto, there is
11 hereby levied and there shall be collected and paid an additional tax at the
12 rate of 2% until the earlier of the date the bonds issued to finance or
13 refinance the redevelopment project have been paid in full or the final
14 scheduled maturity of the first series of bonds issued to finance any part of
15 the project upon:

16 (a) The gross receipts received from the sale of tangible personal
17 property at retail within this state;

18 (b) the gross receipts from intrastate, interstate or international
19 telecommunications services and any ancillary services sourced to this
20 state in accordance with K.S.A. 2016 Supp. 79-3673, and amendments
21 thereto, except that telecommunications service does not include: (1) Any
22 interstate or international 800 or 900 service; (2) any interstate or
23 international private communications service as defined in K.S.A. 2016
24 Supp. 79-3673, and amendments thereto; (3) any value-added nonvoice
25 data service; (4) any telecommunication service to a provider of
26 telecommunication services which will be used to render
27 telecommunications services, including carrier access services; or (5) any
28 service or transaction defined in this section among entities classified as
29 members of an affiliated group as provided by section 1504 of the federal
30 internal revenue code of 1986, as in effect on January 1, 2001;

31 (c) the gross receipts from the sale or furnishing of gas, water,
32 electricity and heat, which sale is not otherwise exempt from taxation
33 under the provisions of this act, and whether furnished by municipally or
34 privately owned utilities, except that, on and after January 1, 2006, for
35 sales of gas, electricity and heat delivered through mains, lines or pipes to
36 residential premises for noncommercial use by the occupant of such
37 premises, and for agricultural use and also, for such use, all sales of
38 propane gas, the state rate shall be 0%; and for all sales of propane gas, LP
39 gas, coal, wood and other fuel sources for the production of heat or
40 lighting for noncommercial use of an occupant of residential premises, the
41 state rate shall be 0%, but such tax shall not be levied and collected upon
42 the gross receipts from: (1) The sale of a rural water district benefit unit;
43 (2) a water system impact fee, system enhancement fee or similar fee

1 collected by a water supplier as a condition for establishing service; or (3)
2 connection or reconnection fees collected by a water supplier;

3 (d) the gross receipts from the sale of meals or drinks furnished at any
4 private club, drinking establishment, catered event, restaurant, eating
5 house, dining car, hotel, drugstore or other place where meals or drinks are
6 regularly sold to the public;

7 (e) the gross receipts from the sale of admissions to any place
8 providing amusement, entertainment or recreation services including
9 admissions to state, county, district and local fairs, but such tax shall not
10 be levied and collected upon the gross receipts received from sales of
11 admissions to any cultural and historical event which occurs triennially;

12 (f) the gross receipts from the operation of any coin-operated device
13 dispensing or providing tangible personal property, amusement or other
14 services except laundry services, whether automatic or manually operated;

15 (g) the gross receipts from the service of renting of rooms by hotels,
16 as defined by K.S.A. 36-501, and amendments thereto, or by
17 accommodation brokers, as defined by K.S.A. 12-1692, and amendments
18 thereto, but such tax shall not be levied and collected upon the gross
19 receipts received from sales of such service to the federal government and
20 any agency, officer or employee thereof in association with the
21 performance of official government duties;

22 (h) the gross receipts from the service of renting or leasing of tangible
23 personal property except such tax shall not apply to the renting or leasing
24 of machinery, equipment or other personal property owned by a city and
25 purchased from the proceeds of industrial revenue bonds issued prior to
26 July 1, 1973, in accordance with the provisions of K.S.A. 12-1740 through
27 12-1749, and amendments thereto, and any city or lessee renting or leasing
28 such machinery, equipment or other personal property purchased with the
29 proceeds of such bonds who shall have paid a tax under the provisions of
30 this section upon sales made prior to July 1, 1973, shall be entitled to a
31 refund from the sales tax refund fund of all taxes paid thereon;

32 (i) the gross receipts from the rendering of dry cleaning, pressing,
33 dyeing and laundry services except laundry services rendered through a
34 coin-operated device whether automatic or manually operated;

35 (j) the gross receipts from the rendering of the services of washing
36 and washing and waxing of vehicles;

37 (k) the gross receipts from cable, community antennae and other
38 subscriber radio and television services;

39 (l) (1) except as otherwise provided by paragraph (2), the gross
40 receipts received from the sales of tangible personal property to all
41 contractors, subcontractors or repairmen for use by them in erecting
42 structures, or building on, or otherwise improving, altering, or repairing
43 real or personal property.

1 (2) Any such contractor, subcontractor or repairman who maintains
2 an inventory of such property both for sale at retail and for use by them for
3 the purposes described by paragraph (1) shall be deemed a retailer with
4 respect to purchases for and sales from such inventory, except that the
5 gross receipts received from any such sale, other than a sale at retail, shall
6 be equal to the total purchase price paid for such property and the tax
7 imposed thereon shall be paid by the deemed retailer;

8 (m) the gross receipts received from fees and charges by public and
9 private clubs, drinking establishments, organizations and businesses for
10 participation in sports, games and other recreational activities, but such tax
11 shall not be levied and collected upon the gross receipts received from: (1)
12 Fees and charges by any political subdivision, by any organization exempt
13 from property taxation pursuant to K.S.A. 79-201 *Ninth*, and amendments
14 thereto, or by any youth recreation organization exclusively providing
15 services to persons 18 years of age or younger which is exempt from
16 federal income taxation pursuant to section 501(c)(3) of the federal
17 internal revenue code of 1986, for participation in sports, games and other
18 recreational activities; and (2) entry fees and charges for participation in a
19 special event or tournament sanctioned by a national sporting association
20 to which spectators are charged an admission which is taxable pursuant to
21 subsection (e);

22 (n) the gross receipts received from dues charged by public and
23 private clubs, drinking establishments, organizations and businesses,
24 payment of which entitles a member to the use of facilities for recreation
25 or entertainment, but such tax shall not be levied and collected upon the
26 gross receipts received from: (1) Dues charged by any organization exempt
27 from property taxation pursuant to K.S.A. 79-201 *Eighth* and *Ninth*, and
28 amendments thereto; and (2) sales of memberships in a nonprofit
29 organization which is exempt from federal income taxation pursuant to
30 section 501(c)(3) of the federal internal revenue code of 1986, and whose
31 purpose is to support the operation of a nonprofit zoo;

32 (o) the gross receipts received from the isolated or occasional sale of
33 motor vehicles or trailers but not including: (1) The transfer of motor
34 vehicles or trailers by a person to a corporation or limited liability
35 company solely in exchange for stock securities or membership interest in
36 such corporation or limited liability company; (2) the transfer of motor
37 vehicles or trailers by one corporation or limited liability company to
38 another when all of the assets of such corporation or limited liability
39 company are transferred to such other corporation or limited liability
40 company; or (3) the sale of motor vehicles or trailers which are subject to
41 taxation pursuant to the provisions of K.S.A. 79-5101 et seq., and
42 amendments thereto, by an immediate family member to another
43 immediate family member. For the purposes of paragraph (3), immediate

1 family member means lineal ascendants or descendants, and their spouses.
2 Any amount of sales tax paid pursuant to the Kansas retailers sales tax act
3 on the isolated or occasional sale of motor vehicles or trailers on and after
4 July 1, 2004, which the base for computing the tax was the value pursuant
5 to K.S.A. 79-5105(a), (b)(1) and (b)(2), and amendments thereto, when
6 such amount was higher than the amount of sales tax which would have
7 been paid under the law as it existed on June 30, 2004, shall be refunded to
8 the taxpayer pursuant to the procedure prescribed by this section. Such
9 refund shall be in an amount equal to the difference between the amount of
10 sales tax paid by the taxpayer and the amount of sales tax which would
11 have been paid by the taxpayer under the law as it existed on June 30,
12 2004. Each claim for a sales tax refund shall be verified and submitted not
13 later than six months from the effective date of this act to the director of
14 taxation upon forms furnished by the director and shall be accompanied by
15 any additional documentation required by the director. The director shall
16 review each claim and shall refund that amount of tax paid as provided by
17 this act. All such refunds shall be paid from the sales tax refund fund, upon
18 warrants of the director of accounts and reports pursuant to vouchers
19 approved by the director of taxation or the director's designee. No refund
20 for an amount less than \$10 shall be paid pursuant to this act. In
21 determining the base for computing the tax on such isolated or occasional
22 sale, the fair market value of any motor vehicle or trailer traded in by the
23 purchaser to the seller may be deducted from the selling price;

24 (p) the gross receipts received for the service of installing or applying
25 tangible personal property which when installed or applied is not being
26 held for sale in the regular course of business, and whether or not such
27 tangible personal property when installed or applied remains tangible
28 personal property or becomes a part of real estate, except that no tax shall
29 be imposed upon the service of installing or applying tangible personal
30 property in connection with the original construction of a building or
31 facility, the original construction, reconstruction, restoration, remodeling,
32 renovation, repair or replacement of a residence or the construction,
33 reconstruction, restoration, replacement or repair of a bridge or highway.

34 For the purposes of this subsection:

35 (1) "Original construction" shall mean the first or initial construction
36 of a new building or facility. The term "original construction" shall include
37 the addition of an entire room or floor to any existing building or facility,
38 the completion of any unfinished portion of any existing building or
39 facility and the restoration, reconstruction or replacement of a building,
40 facility or utility structure damaged or destroyed by fire, flood, tornado,
41 lightning, explosion, windstorm, ice loading and attendant winds,
42 terrorism or earthquake, but such term, except with regard to a residence,
43 shall not include replacement, remodeling, restoration, renovation or

1 reconstruction under any other circumstances;

2 (2) "building" shall mean only those enclosures within which
3 individuals customarily are employed, or which are customarily used to
4 house machinery, equipment or other property, and including the land
5 improvements immediately surrounding such building;

6 (3) "facility" shall mean a mill, plant, refinery, oil or gas well, water
7 well, feedlot or any conveyance, transmission or distribution line of any
8 cooperative, nonprofit, membership corporation organized under or subject
9 to the provisions of K.S.A. 17-4601 et seq., and amendments thereto, or
10 municipal or quasi-municipal corporation, including the land
11 improvements immediately surrounding such facility;

12 (4) "residence" shall mean only those enclosures within which
13 individuals customarily live;

14 (5) "utility structure" shall mean transmission and distribution lines
15 owned by an independent transmission company or cooperative, the
16 Kansas electric transmission authority or natural gas or electric public
17 utility; and

18 (6) "windstorm" shall mean straight line winds of at least 80 miles per
19 hour as determined by a recognized meteorological reporting agency or
20 organization;

21 (q) the gross receipts received for the service of repairing, servicing,
22 altering or maintaining tangible personal property which when such
23 services are rendered is not being held for sale in the regular course of
24 business, and whether or not any tangible personal property is transferred
25 in connection therewith. The tax imposed by this subsection shall be
26 applicable to the services of repairing, servicing, altering or maintaining an
27 item of tangible personal property which has been and is fastened to,
28 connected with or built into real property;

29 (r) the gross receipts from fees or charges made under service or
30 maintenance agreement contracts for services, charges for the providing of
31 which are taxable under the provisions of subsection (p) or (q);

32 (s) on and after January 1, 2005, the gross receipts received from the
33 sale of prewritten computer software and the sale of the services of
34 modifying, altering, updating or maintaining prewritten computer
35 software, whether the prewritten computer software is installed or
36 delivered electronically by tangible storage media physically transferred to
37 the purchaser or by load and leave;

38 (t) the gross receipts received for telephone answering services;

39 (u) the gross receipts received from the sale of prepaid calling service
40 and prepaid wireless calling service as defined in K.S.A. 2016 Supp. 79-
41 3673, and amendments thereto;

42 (v) all sales of bingo cards, bingo faces and instant bingo tickets by
43 licensees under K.S.A. 2016 Supp. 75-5171 et seq., and amendments

1 thereto, shall be exempt from taxes imposed pursuant to this section;~~and~~
 2 (w) all sales of charitable raffle tickets in accordance with K.S.A.
 3 2016 Supp. 75-5171 et seq., and amendments thereto, shall be exempt
 4 from taxes imposed pursuant to this section; *and*

5 (x) (1) *the gross receipts from the sale of food and food ingredients*
 6 *shall be taxed at the following rates:*

7 (A) *Commencing on January 1, 2019, at the rate of 5.5%;*

8 (B) *commencing on January 1, 2020, at the rate of 4.5%;*

9 (C) *commencing on January 1, 2021, at the rate of 3.5%;*

10 (D) *commencing on January 1, 2022, at the rate of 2.5%;*

11 (E) *commencing on January 1, 2023, at the rate of 1.5%; and*

12 (F) *commencing on January 1, 2024, and thereafter, all sales of food*
 13 *and food ingredients shall be exempt from taxes imposed pursuant to this*
 14 *section.*

15 (2) *The provisions of this subsection shall not apply to prepared food,*
 16 *unless sold without eating utensils provided by the seller and described*
 17 *below:*

18 (A) *Food sold by a seller whose proper primary NAICS classification*
 19 *is manufacturing in sector 311, except subsector 3118 (bakeries);*

20 (B) (i) *food sold in an unheated state by weight or volume as a single*
 21 *item; or*

22 (ii) *only meat or seafood sold in an unheated state by weight or*
 23 *volume as a single item;*

24 (iii) *bakery items, including bread, rolls, buns, biscuits, bagels,*
 25 *croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins, bars,*
 26 *cookies and tortillas;*

27 (iv) *food sold that ordinarily requires additional cooking, as opposed*
 28 *to just reheating, by the consumer prior to consumption; or*

29 (v) *bottled water that is not otherwise sold as prepared food.*

30 Sec. 7. K.S.A. 2016 Supp. 79-3620 is hereby amended to read as
 31 follows: 79-3620. (a) All revenue collected or received by the director of
 32 taxation from the taxes imposed by this act shall be remitted to the state
 33 treasurer in accordance with the provisions of K.S.A. 75-4215, and
 34 amendments thereto. Upon receipt of each such remittance, the state
 35 treasurer shall deposit the entire amount in the state treasury, less amounts
 36 withheld as provided in subsection (b) and amounts credited as provided in
 37 subsections (c), (d) and (e), to the credit of the state general fund.

38 (b) A refund fund, designated as "sales tax refund fund" not to exceed
 39 \$100,000 shall be set apart and maintained by the director from sales tax
 40 collections and estimated tax collections and held by the state treasurer for
 41 prompt payment of all sales tax refunds. Such fund shall be in such
 42 amount, within the limit set by this section, as the director shall determine
 43 is necessary to meet current refunding requirements under this act. In the

1 event such fund as established by this section is, at any time, insufficient to
2 provide for the payment of refunds due claimants thereof, the director shall
3 certify the amount of additional funds required to the director of accounts
4 and reports who shall promptly transfer the required amount from the state
5 general fund to the sales tax refund fund, and notify the state treasurer,
6 who shall make proper entry in the records.

7 ~~(c) (1) On July 1, 2010, the state treasurer shall credit 11.427% of the~~
8 ~~revenue collected and received from the tax imposed by K.S.A. 79-3603,~~
9 ~~and amendments thereto, at the rate of 6.3%, and deposited as provided by~~
10 ~~subsection (a), exclusive of amounts credited pursuant to subsection (d), in~~
11 ~~the state highway fund.~~

12 ~~(2) On July 1, 2011, the state treasurer shall credit 11.26% of the~~
13 ~~revenue collected and received from the tax imposed by K.S.A. 79-3603,~~
14 ~~and amendments thereto, at the rate of 6.3%, and deposited as provided by~~
15 ~~subsection (a), exclusive of amounts credited pursuant to subsection (d), in~~
16 ~~the state highway fund.~~

17 ~~(3) On July 1, 2012, the state treasurer shall credit 11.233% of the~~
18 ~~revenue collected and received from the tax imposed by K.S.A. 79-3603,~~
19 ~~and amendments thereto, at the rate of 6.3%, and deposited as provided by~~
20 ~~subsection (a), exclusive of amounts credited pursuant to subsection (d), in~~
21 ~~the state highway fund.~~

22 ~~(4) On July 1, 2013, the state treasurer shall credit 17.073% of the~~
23 ~~revenue collected and received from the tax imposed by K.S.A. 79-3603,~~
24 ~~and amendments thereto, at the rate of 6.15%, and deposited as provided~~
25 ~~by subsection (a), exclusive of amounts credited pursuant to subsection~~
26 ~~(d), in the state highway fund.~~

27 ~~(5)(2) On July 1, 2015, the state treasurer shall credit 16.226% of the~~
28 ~~revenue collected and received from the tax imposed by K.S.A. 79-3603,~~
29 ~~and amendments thereto, at the rate of 6.5%, and deposited as provided by~~
30 ~~subsection (a), exclusive of amounts credited pursuant to subsection (d), in~~
31 ~~the state highway fund.~~

32 ~~(6)(3) On July 1, 2016, and thereafter, the state treasurer shall credit~~
33 ~~16.154% of the revenue collected and received from the tax imposed by~~
34 ~~K.S.A. 79-3603, and amendments thereto, at the rate of 6.5%, and~~
35 ~~deposited as provided by subsection (a), exclusive of amounts credited~~
36 ~~pursuant to subsection (d), in the state highway fund.~~

37 *(4) On January 1, 2019, the state treasurer shall credit 16.288% of*
38 *the revenue collected and received from the tax imposed by K.S.A. 79-*
39 *3603, and amendments thereto, at the rates provided in K.S.A. 79-3603(a)*
40 *and (x), and amendments thereto, and deposited as provided by subsection*
41 *(a), exclusive of amounts credited pursuant to subsection (d), in the state*
42 *highway fund.*

43 *(5) On January 1, 2020, the state treasurer shall credit 16.617% of*

1 *the revenue collected and received from the tax imposed by K.S.A. 79-*
2 *3603, and amendments thereto, at the rates provided in K.S.A. 79-3603(a)*
3 *and (x), and amendments thereto, and deposited as provided by subsection*
4 *(a), exclusive of amounts credited pursuant to subsection (d), in the state*
5 *highway fund.*

6 (6) *On January 1, 2021, the state treasurer shall credit 16.960% of*
7 *the revenue collected and received from the tax imposed by K.S.A. 79-*
8 *3603, and amendments thereto, at the rates provided in K.S.A. 79-3603(a)*
9 *and (x), and amendments thereto, and deposited as provided by subsection*
10 *(a), exclusive of amounts credited pursuant to subsection (d), in the state*
11 *highway fund.*

12 (7) *On January 1, 2022, the state treasurer shall credit 17.317% of*
13 *the revenue collected and received from the tax imposed by K.S.A. 79-*
14 *3603, and amendments thereto, at the rates provided in K.S.A. 79-3603(a)*
15 *and (x), and amendments thereto, and deposited as provided by subsection*
16 *(a), exclusive of amounts credited pursuant to subsection (d), in the state*
17 *highway fund.*

18 (8) *On January 1, 2023, the state treasurer shall credit 17.690% of*
19 *the revenue collected and received from the tax imposed by K.S.A. 79-*
20 *3603, and amendments thereto, at the rates provided in K.S.A. 79-3603(a)*
21 *and (x), and amendments thereto, and deposited as provided by subsection*
22 *(a), exclusive of amounts credited pursuant to subsection (d), in the state*
23 *highway fund.*

24 (9) *On January 1, 2024, the state treasurer shall credit 18.163% of*
25 *the revenue collected and received from the tax imposed by K.S.A. 79-*
26 *3603, and amendments thereto, at the rates provided in K.S.A. 79-3603(a)*
27 *and (x), and amendments thereto, and deposited as provided by subsection*
28 *(a), exclusive of amounts credited pursuant to subsection (d), in the state*
29 *highway fund.*

30 (10) *On January 1, 2025, and thereafter, the state treasurer shall*
31 *credit 18.521% of the revenue collected and received from the tax imposed*
32 *by K.S.A. 79-3603, and amendments thereto, at the rates provided in*
33 *K.S.A. 79-3603(a) and (x), and amendments thereto, and deposited as*
34 *provided by subsection (a), exclusive of amounts credited pursuant to*
35 *subsection (d), in the state highway fund.*

36 (d) *The state treasurer shall credit all revenue collected or received*
37 *from the tax imposed by K.S.A. 79-3603, and amendments thereto, as*
38 *certified by the director, from taxpayers doing business within that portion*
39 *of a STAR bond project district occupied by a STAR bond project or*
40 *taxpayers doing business with such entity financed by a STAR bond*
41 *project as defined in K.S.A. 2016 Supp. 12-17,162, and amendments*
42 *thereto, that was determined by the secretary of commerce to be of*
43 *statewide as well as local importance or will create a major tourism area*

1 for the state or the project was designated as a STAR bond project as
2 defined in K.S.A. 2016 Supp. 12-17,162, and amendments thereto, to the
3 city bond finance fund, which fund is hereby created. The provisions of
4 this subsection shall expire when the total of all amounts credited
5 hereunder and under K.S.A. 79-3710(d), and amendments thereto, is
6 sufficient to retire the special obligation bonds issued for the purpose of
7 financing all or a portion of the costs of such STAR bond project.

8 (e) All revenue certified by the director of taxation as having been
9 collected or received from the tax imposed by K.S.A. 79-3603(c), and
10 amendments thereto, on the sale or furnishing of gas, water, electricity and
11 heat for use or consumption within the intermodal facility district
12 described in this subsection, shall be credited by the state treasurer to the
13 state highway fund. Such revenue may be transferred by the secretary of
14 transportation to the rail service improvement fund pursuant to law. The
15 provisions of this subsection shall take effect upon certification by the
16 secretary of transportation that a notice to proceed has been received for
17 the construction of the improvements within the intermodal facility
18 district, but not later than December 31, 2010, and shall expire when the
19 secretary of revenue determines that the total of all amounts credited
20 hereunder and pursuant to K.S.A. 79-3710(e), and amendments thereto, is
21 equal to \$53,300,000, but not later than December 31, 2045. Thereafter, all
22 revenues shall be collected and distributed in accordance with applicable
23 law. For all tax reporting periods during which the provisions of this
24 subsection are in effect, none of the exemptions contained in K.S.A. 79-
25 3601 et seq., and amendments thereto, shall apply to the sale or furnishing
26 of any gas, water, electricity and heat for use or consumption within the
27 intermodal facility district. As used in this subsection, "intermodal facility
28 district" shall consist of an intermodal transportation area as defined by
29 K.S.A. 12-1770a(oo), and amendments thereto, located in Johnson county
30 within the polygonal-shaped area having Waverly Road as the eastern
31 boundary, 191st Street as the southern boundary, Four Corners Road as the
32 western boundary, and Highway 56 as the northern boundary, and the
33 polygonal-shaped area having Poplar Road as the eastern boundary, 183rd
34 Street as the southern boundary, Waverly Road as the western boundary,
35 and the BNSF mainline track as the northern boundary, that includes
36 capital investment in an amount exceeding \$150 million for the
37 construction of an intermodal facility to handle the transfer, storage and
38 distribution of freight through railway and trucking operations.

39 Sec. 8. K.S.A. 2016 Supp. 79-3703 is hereby amended to read as
40 follows: 79-3703. There is hereby levied and there shall be collected from
41 every person in this state a tax or excise for the privilege of using, storing,
42 or consuming within this state any article of tangible personal property.
43 Such tax shall be levied and collected in an amount equal to the

1 consideration paid by the taxpayer multiplied by the rate of 6.5% *and the*
2 *rates on food and food ingredients provided in K.S.A. 79-3603(x), and*
3 *amendments thereto*. Within a redevelopment district established pursuant
4 to K.S.A. 74-8921, and amendments thereto, there is hereby levied and
5 there shall be collected and paid an additional tax of 2% until the earlier
6 of: (1) The date the bonds issued to finance or refinance the redevelopment
7 project undertaken in the district have been paid in full; or (2) the final
8 scheduled maturity of the first series of bonds issued to finance the
9 redevelopment project. All property purchased or leased within or without
10 this state and subsequently used, stored or consumed in this state shall be
11 subject to the compensating tax if the same property or transaction would
12 have been subject to the Kansas retailers' sales tax had the transaction been
13 wholly within this state.

14 Sec. 9. K.S.A. 2016 Supp. 79-3710 is hereby amended to read as
15 follows: 79-3710. (a) All revenue collected or received by the director
16 under the provisions of this act shall be remitted to the state treasurer in
17 accordance with the provisions of K.S.A. 75-4215, and amendments
18 thereto. Upon receipt of each such remittance, the state treasurer shall
19 deposit the entire amount in the state treasury, less amounts set apart as
20 provided in subsection (b) and amounts credited as provided in subsection
21 (c), (d) and (e), to the credit of the state general fund.

22 (b) A revolving fund, designated as "compensating tax refund fund"
23 not to exceed \$10,000 shall be set apart and maintained by the director
24 from compensating tax collections and estimated tax collections and held
25 by the state treasurer for prompt payment of all compensating tax refunds.
26 Such fund shall be in such amount, within the limit set by this section, as
27 the director shall determine is necessary to meet current refunding
28 requirements under this act.

29 ~~(c) (1) On July 1, 2010, the state treasurer shall credit 11.427% of the~~
30 ~~revenue collected and received from the tax imposed by K.S.A. 79-3703,~~
31 ~~and amendments thereto, at the rate of 6.3%, and deposited as provided by~~
32 ~~subsection (a), exclusive of amounts credited pursuant to subsection (d), in~~
33 ~~the state highway fund.~~

34 ~~(2) On July 1, 2011, the state treasurer shall credit 11.26% of the~~
35 ~~revenue collected and received from the tax imposed by K.S.A. 79-3703,~~
36 ~~and amendments thereto, at the rate of 6.3%, and deposited as provided by~~
37 ~~subsection (a), exclusive of amounts credited pursuant to subsection (d), in~~
38 ~~the state highway fund.~~

39 ~~(3) On July 1, 2012, the state treasurer shall credit 11.233% of the~~
40 ~~revenue collected and received from the tax imposed by K.S.A. 79-3703,~~
41 ~~and amendments thereto, at the rate of 6.3%, and deposited as provided by~~
42 ~~subsection (a), exclusive of amounts credited pursuant to subsection (d), in~~
43 ~~the state highway fund.~~

1 ~~(4)~~—On July 1, 2013, the state treasurer shall credit 17.073% of the
2 revenue collected and received from the tax imposed by K.S.A. 79-3703,
3 and amendments thereto, at the rate of 6.15%, and deposited as provided
4 by subsection (a), exclusive of amounts credited pursuant to subsection
5 (d), in the state highway fund.

6 ~~(5)~~(2) On July 1, 2015, the state treasurer shall credit 16.226% of the
7 revenue collected and received from the tax imposed by K.S.A. 79-3703,
8 and amendments thereto, at the rate of 6.5%, and deposited as provided by
9 subsection (a), exclusive of amounts credited pursuant to subsection (d), in
10 the state highway fund.

11 ~~(6)~~(3) On July 1, 2016, ~~and thereafter~~, the state treasurer shall credit
12 16.154% of the revenue collected and received from the tax imposed by
13 K.S.A. 79-3703, and amendments thereto, at the rate of 6.5%, and
14 deposited as provided by subsection (a), exclusive of amounts credited
15 pursuant to subsection (d), in the state highway fund.

16 (4) *On January 1, 2019, the state treasurer shall credit 16.288% of*
17 *the revenue collected and received from the tax imposed by K.S.A. 79-*
18 *3703, and amendments thereto, at the rates provided in K.S.A. 79-3703*
19 *and 79-3603(x), and amendments thereto, and deposited as provided by*
20 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
21 *the state highway fund.*

22 (5) *On January 1, 2020, the state treasurer shall credit 16.617% of*
23 *the revenue collected and received from the tax imposed by K.S.A. 79-*
24 *3703, and amendments thereto, at the rates provided in K.S.A. 79-3703*
25 *and 79-3603(x), and amendments thereto, and deposited as provided by*
26 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
27 *the state highway fund.*

28 (6) *On January 1, 2021, the state treasurer shall credit 16.960% of*
29 *the revenue collected and received from the tax imposed by K.S.A. 79-*
30 *3703, and amendments thereto, at the rates provided in K.S.A. 79-3703*
31 *and 79-3603(x), and amendments thereto, and deposited as provided by*
32 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
33 *the state highway fund.*

34 (7) *On January 1, 2022, the state treasurer shall credit 17.317% of*
35 *the revenue collected and received from the tax imposed by K.S.A. 79-*
36 *3703, and amendments thereto, at the rates provided in K.S.A. 79-3703*
37 *and 79-3603(x), and amendments thereto, and deposited as provided by*
38 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
39 *the state highway fund.*

40 (8) *On January 1, 2023, the state treasurer shall credit 17.690% of*
41 *the revenue collected and received from the tax imposed by K.S.A. 79-*
42 *3703, and amendments thereto, at the rates provided in K.S.A. 79-3703*
43 *and 79-3603(x), and amendments thereto, and deposited as provided by*

1 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
2 *the state highway fund.*

3 (9) *On January 1, 2024, the state treasurer shall credit 18.163% of*
4 *the revenue collected and received from the tax imposed by K.S.A. 79-*
5 *3703, and amendments thereto, at the rates provided in K.S.A. 79-3703*
6 *and 79-3603(x), and amendments thereto, and deposited as provided by*
7 *subsection (a), exclusive of amounts credited pursuant to subsection (d), in*
8 *the state highway fund.*

9 (10) *On January 1, 2025, and thereafter, the state treasurer shall*
10 *credit 18.521% of the revenue collected and received from the tax imposed*
11 *by K.S.A. 79-3703, and amendments thereto, at the rates provided in*
12 *K.S.A. 79-3703 and 79-3603(x), and amendments thereto, and deposited*
13 *as provided by subsection (a), exclusive of amounts credited pursuant to*
14 *subsection (d), in the state highway fund.*

15 (d) The state treasurer shall credit all revenue collected or received
16 from the tax imposed by K.S.A. 79-3703, and amendments thereto, as
17 certified by the director, from taxpayers doing business within that portion
18 of a redevelopment district occupied by a redevelopment project that was
19 determined by the secretary of commerce to be of statewide as well as
20 local importance or will create a major tourism area for the state as defined
21 in K.S.A. 12-1770a, and amendments thereto, to the city bond finance
22 fund created by K.S.A. 79-3620(d), and amendments thereto. The
23 provisions of this subsection shall expire when the total of all amounts
24 credited hereunder and under K.S.A. 79-3620(d), and amendments thereto,
25 is sufficient to retire the special obligation bonds issued for the purpose of
26 financing all or a portion of the costs of such redevelopment project.

27 This subsection shall not apply to a project designated as a special bond
28 project as defined in K.S.A. 12-1770a(z), and amendments thereto.

29 (e) All revenue certified by the director of taxation as having been
30 collected or received from the tax imposed by K.S.A. 79-3603(c), and
31 amendments thereto, on the sale or furnishing of gas, water, electricity and
32 heat for use or consumption within the intermodal facility district
33 described in this subsection, shall be credited by the state treasurer to the
34 state highway fund. Such revenue may be transferred by the secretary of
35 transportation to the rail service improvement fund pursuant to law. The
36 provisions of this subsection shall take effect upon certification by the
37 secretary of transportation that a notice to proceed has been received for
38 the construction of the improvements within the intermodal facility
39 district, but not later than December 31, 2010, and shall expire when the
40 secretary of revenue determines that the total of all amounts credited
41 hereunder and pursuant to K.S.A. 79-3620(e), and amendments thereto, is
42 equal to \$53,300,000, but not later than December 31, 2045. Thereafter, all
43 revenues shall be collected and distributed in accordance with applicable

1 law. For all tax reporting periods during which the provisions of this
2 subsection are in effect, none of the exemptions contained in K.S.A. 79-
3 3601 et seq., and amendments thereto, shall apply to the sale or furnishing
4 of any gas, water, electricity and heat for use or consumption within the
5 intermodal facility district. As used in this subsection, "intermodal facility
6 district" shall consist of an intermodal transportation area as defined by
7 K.S.A. 12-1770a(oo), and amendments thereto, located in Johnson county
8 within the polygonal-shaped area having Waverly Road as the eastern
9 boundary, 191st Street as the southern boundary, Four Corners Road as the
10 western boundary, and Highway 56 as the northern boundary, and the
11 polygonal-shaped area having Poplar Road as the eastern boundary, 183rd
12 Street as the southern boundary, Waverly Road as the western boundary,
13 and the BNSF mainline track as the northern boundary, that includes
14 capital investment in an amount exceeding \$150 million for the
15 construction of an intermodal facility to handle the transfer, storage and
16 distribution of freight through railway and trucking operations.

17 Sec. 10. K.S.A. 2016 Supp. 79-32,110, 79-32,117, 79-32,120, 79-
18 32,138, 79-32,269, 79-3602, 79-3603, 79-3620, 79-3703 and 79-3710 are
19 hereby repealed.

20 Sec. 11. This act shall take effect and be in force from and after its
21 publication in the statute book.